



# 2012 Budget Process

## Department of Local Government Finance

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# 2012 Budget Process

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# 2011 Updates

- 9 counties certified assessed values by Aug 1<sup>st</sup>.
- DLGF issued 86 Budget Orders by Feb 15<sup>th</sup>, the deadline for DLGF to certify tax rates.
- 90 counties had on-time property tax billing for the Spring of 2011.
- Budget manuals are being consolidated into one and contain very helpful information.  
<http://www.in.gov/dlgf/4924.htm>
- Revised Budget Calendar on our web page at:  
[http://www.in.gov/dlgf/files/110103\\_-\\_Jones\\_Memo\\_-\\_2011-2012\\_Budget\\_Calendar.pdf](http://www.in.gov/dlgf/files/110103_-_Jones_Memo_-_2011-2012_Budget_Calendar.pdf)



# Looking Ahead to 2012

- Reassessment is scheduled for completion on March 1, 2012, effective for taxes payable in 2013.
- Reassessment is in the process of verifying the accuracy of information on property record cards.
- Reassessments are revenue neutral.
- “Trending” should mitigate any large swings in values since last reassessment.



# Looking Ahead to 2012

- DLGF Budget Workshops in July/August
  - Objective of workshop is for each unit to leave with a copy of the budget advertisement
- DLGF Goal: On-time billing for 91 counties for 2012
- Gateway
  - Provides online budget preparation
  - Budget forms will be submitted online
    - Prepares all the prescribed forms
    - Forms and screens will have formulas built in to perform math calculations
    - Prepares the budget advertisement
    - Submits the adopted budget to the DLGF electronically



# Budget Process Issues

## ■ Fiscal Body Review

- County councils are required to review budgets and make “non-binding” recommendations to all units that levy a property tax with *elected* fiscal bodies (except schools).
- City, town or county councils are required (IC 6-1.1-17-20) to approve the budgets for units with *appointed* boards and are:
  1. Conservancy Districts subject to IC 14-33-9, or
  2. Solid Waste Management Districts subject to IC13-21, or
  3. Fire Protection Districts subject to IC 36-8-11-18, or
  4. Budget increases more than the AVGQ (libraries, sanitary districts, public transportation, etc.)



# Budget Process Issues

- **Non-Binding Recommendations (IC 6-1.1-17-3.5):**
  - County councils are required to issue non-binding recommendations for each unit with elected fiscal bodies that plan to levy a property tax.
  - Budgets must be filed 45 days before adoption.
  - Council to issue recommendation 15 days before adoption.
  - Recommendation must include a comparison of (1) increase in unit's budget or levy to statewide, and the county's average increase in non-farm income, and (2) increase in budgets and tax levies of other units in the county.
  - Noncompliance results in the same budget and levy in the following year.



# Budget Process Issues

## ■ Binding Recommendations:

- “Binding recommendation” is not a recommendation; it’s the adoption.
- Even if a separate fiscal body is adopting the budget, the adoption meeting is still a public meeting and must be advertised.
- According to IC 6-1.1-17-3, notice of the public hearing must be published twice; first time before September 3<sup>rd</sup> and the second time before September 10<sup>th</sup>.
- IC 6-1.1-17-5 requires public hearing to be at least 10 days before adoption meeting.





# Budget Process Issues

- Documentation for Recommendation:
  - DLGF will provide a worksheet for the review in July at <http://www.in.gov/dlgf/6800.htm>.
  - Worksheet must be submitted to County Auditor.
  - Worksheet may be submitted in person, by fax, or by email.
  - A paper version will be provided to units that attend the budget workshops at conclusion of the meeting.
  - County may require additional material.



# Budget Process Issues

## ■ Budget Advertisements

- A faulty or “untimely” ad is the most common reason a budget is denied.
- An ad must be published on or before September 2<sup>nd</sup> and September 9<sup>th</sup>.
- An ad must also be at least 10 days before the public hearing and 3 days before adoption meeting.
- An ad is to include the day, time, and place of the public hearing and the adoption meeting.



# Budget Process Issues

- Budget Advertisements (Continued)
  - An ad is by fund and includes: the budget, max levy, proposed levy, current levy, and amount of excess levy appeals.
  - An ad may include more funds than those reviewed by the DLGF.
  - Always include language that says taxpayers may object to budget or levies within seven days after the public hearing.
  - The goal is for units to have a copy of the ad at the end of budget workshop session.



# Budget Process Issues

- Hearing and Adoption Meetings
  - A public hearing gives the public an opportunity to comment about the budget.
  - It must be at least 10 days before adoption.
  - Adoption meeting is a public meeting but not a public hearing.
  - Adoption meeting can be no later than November 1<sup>st</sup> .
  - There must be a quorum at the adoption meeting.
  - Failure to comply will result in the same budget and levy being continued for the following year.



# Budget Process Issues

- If No Quorum is Present...
  - Have a member of the fiscal body call the meeting to order;
  - Announce there is not a quorum present to conduct business, and;
  - “Postpone” the meeting or “continue” the meeting until a future announced time.
  - Include in the minutes the announced day and time for the re-scheduled adoption meeting.
  - “Continued” meetings do not need to be re-advertised.



# Budget Process Issues

- Rescheduled Adoption Meeting
  - A new adoption meeting will need to be scheduled if the originally advertised meeting is not held as advertised and not “continued.”
  - The new meeting must be advertised twice and at least 10 days before the adoption meeting.
  - New meeting must be at least 10 days after the public hearing.



# Budget Process Issues

- Most Common Reasons Budgets are Denied:
  1. Budget was not advertised by September 2<sup>nd</sup> and 9<sup>th</sup>.
  2. Budget was not submitted for "Recommendation."
  3. Fiscal body did not adopt by November 1.
  4. There were less than 10 days between public hearing and adoption meeting.
  5. Budget adopted before receiving "recommendation" and before 45 days had passed.
  6. Annual report and annual compensation report not filed with State Board of Accounts.



# Excessive Levy Appeals

- Five Excessive Levy Appeals Remain:
  - Annexation/Extension of Services/Consolidation
  - Three year growth exceeding 1.02% of AVGQ
  - Emergency Levy Appeal
  - Correction of Advertising, Math, or Data Error
  - Property Tax Shortfall Due to Erroneous Assessed Value

Deadline to file appeals is October 19<sup>th</sup>.





# Excessive Levy Appeals

- Factors Considered When Evaluated By The DLGF:
  - Impact of increase on taxpayers
    - Economic and fiscal impact
    - Impact of tax increase in the tax district
  - Public support or resistance
  - Existing funds available
  - Compliance with advertising and budgeting requirements
  - Services needed & fiscal impact statements
  - Event which caused “emergency”
  - Type of Error
  - What caused the “shortfall?”



# Budget Submission

- Submitting the 2012 Budget
  - See Commissioner's Memo dated April 26, 2011.
  - 2012 Budget (forms) must be submitted to the DLGF through Gateway.
  - The DLGF will need paper copies of Proof of Publication and signed Ordinance of Appropriation (Form 4). The DLGF will accept PDF through Gateway (preferred), fax, or mail.
    - ***Advertisement and publication dates must be legible.***
  - Each county may decide if they require paper in addition to Gateway.



# Circuit Breakers

- Important Points Regarding Circuit Breakers:
  - Circuit Breakers are protection for property taxpayers.
  - Overwhelmingly approved by voters
  - Governments that experience Circuit Breaker Credits will have reduced property tax collections.
  - Reductions are allocated proportionately to all funds that levy property taxes except those specifically exempt from Circuit Breaker Credits.
  - Tax revenues reduced by Circuit Breaker Credits cannot be recovered by other property taxes or borrowing.
  - Tax increases approved by voter referendum and debt issued before July 1, 2008 in Lake and St. Joseph counties are exempt from Circuit Breaker calculation.



# New Legislation

- SEA 26 – Limits the amount of reduction in maximum levy made by the DLGF when a political subdivision combines, transfers, or shares powers with another unit.
- SEA 62 - Makes Indiana Code consistent with the November 1st adoption deadline and the effective dates for all local option income tax ordinances.
- HEA 1004, Sec. 11, 14, and 33 - The DLGF may not approve the annual budget or additional appropriations until the unit has filed the annual financial report, the TA-7 (townships) or the salary report with the SBOA.
- HEA 1004, Sec. 18 - Allows the DLGF to prescribe budget forms be submitted electronically (Gateway).



# New Legislation

- HEA 1004, Sec. 35 - Simplifies the Maximum Levy Calculations:
  - Changes the allowable increases due to annexation.
  - Removes numerous steps in calculation that uses CAGIT. Eliminating these steps will simplify the maximum levy calculation and stabilize the max levy.
  - New calculation begins with the previous years max levy before temporary adjustments (appeals and bank personal property tax paid) and then applies the growth factor.
  - With the exception of temporary adjustments, units should not have a 2012 max levy lower than 2011.
  - DLGF is permitted to adjust max levy only in 2012 for units “harmed” by new formula. (Units are to follow excessive levy appeal process.)



# New Legislation

- HEA 1004, Sec. 42 - Exempts referendum approved levies from circuit breaker credits.
- HEA 1004, Sec. 43 - Allows political subdivisions that experience circuit breaker credits in debt service funds to transfer funds from other funds to the debt service funds in order to make debt service payments.
- HEA 1004, Sec. 332 - Makes township fire and EMS a qualified use for Public Safety LOIT distributions.
- HEA 1004, Sec. 159, 160, 161 - Changes requirements to establish a fire territory and board member voting restrictions.



# New Legislation

- HEA 1275, Sec. 1 - A city, town or county may transfer by ordinance or resolution, money from the CEDIT or Rainy Day Fund to the General Fund or any other appropriated fund at any time.
- HEA 1288 - Eliminates the “use it or lose it” provision concerning units that were under their maximum levy in the previous year. Units will no longer be punished for being under their maximum property tax levy. (IC 6-1.1-18.5-1). Previously, when a certified levy was below the maximum levy, they lost ½ of unused levy in the next year.
- HB 1313 -Tax increment revenues in an allocation area do not include taxes imposed by a referendum or local public question.



# Closing Comments

- Focus Is On Transparency
  - The DLGF is making information available online for units and the public to review, research, and study.
  - The goal is to provide taxpayers access to the information they want:
    - Where their taxes go?
    - How their taxes are used?
    - Why did their taxes change?





# For More Information

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- News releases from the DLGF
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  - 317.232.3777
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